October 9, 2020

Frequently Asked Questions Regarding the RFP for the Administration of Recommended Spread Adjustments and Spread-Adjusted SOFR Rates to Facilitate Contractual Fallbacks

- For purposes of publishing spread-adjusted versions of SOFR in advance, should the administrator plan to publish fallback rates for all 7 LIBOR tenors?

  The ARRC would expect the administrator to produce fallback rates based on SOFR in advance for LIBOR tenors greater than overnight. For overnight LIBOR, while production of a spread and spread-adjusted rate is expected, it is not possible to distinguish between "in advance," "in arrears", or forward-term rate versions.

- Should the 30-, 90-, 180-day SOFR averages be used for this purpose, or should the administrator plan to publish 1-month, 3-month, and 6-month compound averages of SOFR in advance along and the corresponding spread-adjusted fallback rates?

  For simplicity, the ARRC would expect the administrator to use the 30-, and 90--day SOFR averages as the basis for in-advance fallbacks for the different tenors of LIBOR.

- If the 30-, 90-, 180-day SOFR averages should be used for this purpose, will FRBNY publish other tenors or should the administrator plan to publish those tenors of compound average SOFR in advance?

  FRBNY is not expected to publish other maturities of SOFR averages at this time.

- For a non-consumer cash product, should the same sample period that will be used by ISDA be used to calculate the historical median spread?

  For non-consumer cash products, the ARRC has publicly stated that it will recommend the same numerical spread adjustments that are recommended by ISDA.

- What is the timeline for additional information on the ARRC's recommended fallback rate waterfall and spread adjustments for consumer products?

  The ARRC has already specified that its recommended spread adjustments for consumer products will incorporate a 1-year transition period and that the "long-run" spread will be based on a five-year historical median, similar to the methodology to be used by ISDA. The ARRC is currently evaluating the outstanding further technical details that it will need to specify to allow an administrator to publish recommended spread-adjustments for consumer products and hopes to make those details known within the next 1-2 months, if not sooner.

- Can the ARRC expand on the expected terms and conditions for making the data available to the public
    - Is a 24-hour delay acceptable for free availability?
    - Are any terms or conditions for use consistent with the ARRC's expectations of free availability?

  The ARRC expects that the spread-adjusted rates for consumer products will be made available in a way that members of the public can access without charge and without terms or conditions. A 24-hour delay is acceptable for this type of access.

- Could the ARRC's recommended spread adjustments or spread-adjusted rates be applied to products in other jurisdictions?

  It is possible that the ARRC's recommended spread adjustments or spread-adjusted rates could be used for USD LIBOR contracts in other jurisdictions. For example, recent legislative proposals in the EU could allow for this, and residents in other jurisdictions may choose the ARRC's recommended fallback language.

- Who will own the methodology for these spread adjustments and spread-adjusted rates?

  For non-consumer cash products, where the ARRC has recommended the same numerical spread adjustments that will be used by ISDA, any rights to the methodology would belong to ISDA or Bloomberg. For consumer products, where the ARRC's recommendations will differ in certain respects, the ARRC does not intend to seek any intellectual property rights for its recommendations.

- Will there be a commercial agreement between the ARRC and the selected administrator?

  The ARRC does not expect to enter into a formal legal agreement with the selected administrator; however, it does expect to require the selected administrator to make public undertakings to the ARRC and users of the data, committing to certain matters concerning how it will administer and publish the spread adjustments and spread-adjusted rates, including those contained in its response to the RFP.